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Financial reports and audited financial statements and reports of the Board of Auditors

Concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its fifty-third session

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to Assembly resolution 47/211 of 23 December 1992, the concise summary of principal findings, conclusions and recommendations contained in the reports on the audit of the accounts for the financial period ended 31 December 1997, prepared by the Board of Auditors.

* A/53/150.

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Letter of transmittal

15 July 1998

Sir,

I have the honour to transmit to you, in accordance with the request by the General Assembly in paragraph 18 of its resolution 47/211 of 23 December 1992, the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its fifty-third session.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor General of India
and Chairman
United Nations Board of Auditors

The Secretary-General of the United Nations
New York, N.Y.

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(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor General of India
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

1. The General Assembly, in its resolution 47/211 of 23 December 1992, invited the Board of Auditors to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources together with the measures taken by United Nations organizations in this regard. The findings, conclusions and recommendations included in the present summary are mainly those of particular importance relating to common themes in organizations audited by the Board. The detailed findings relating to a particular organization can be found in the relevant report. The Board has reported on the organizations listed in the annex to the present report.

2. The present summary includes comments on previous recommendations of the Board not fully implemented, and on financial and management issues as follows:

Financial issues:

- Audit opinions qualified by the Board;
- Compliance with United Nations accounting standards;
- Treatment of programme expenditure;
- Results of operations;
- Liquidity position;
- Reconciliation of accounts.

Management issues:

- Deficiencies in procurement, including lack of planning;
- Deficiencies in programme management;
- Weaknesses in human resources management;
- Slow implementation of capital assets projects;
- Preparedness for the year 2000 issue.

A. Previous recommendations not fully implemented

3. The Board has highlighted separately in the individual reports those recommendations of the Board that had not been fully implemented by the administrations. With the exception of the International Trade Centre (ITC), the United Nations Development Programme (UNDP) and the United Nations Joint Staff Pension Fund (UNJSPF), all the other organizations audited by the Board had outstanding recommendations that had not been fully implemented to varying extents.

B. Financial issues

1. Qualified audit opinions

4. The Board has qualified its audit opinion on the financial statements of three organizations: UNDP, the United Nations Population Fund (UNFPA) and the United Nations International Drug Control Programme (UNDCP). In all three cases, the Board has restricted the scope of its opinion because it was unable to obtain sufficient evidence, in the form of audit reports from Governments and non-governmental organizations, that funds advanced to them for national execution projects had been expended for the purposes intended. The amounts were $520 million for UNDP, $83.1 million for UNFPA and $17.9 million for UNDCP. In UNDP, the Board noted significant growth in the level of expenditure of nationally executed projects and, following implementation of the Board's recommendations in 1994–1995 to improve auditing arrangements in this area, the proportion of national execution expenditures covered by audit reports increased from 68 per cent in 1994–1995 to 73 per cent in 1996–1997. UNFPA had received audit reports to cover nearly 70 per cent of national execution projects and has made significant progress in following up reports outstanding from previous bienniums. In UNDCP, notwithstanding the lack of audit reports on nationally executed projects, the programme had made significant progress in encouraging executing agencies to provide audit reports.

2. United Nations accounting standards

5. The Board confirmed that organizations have generally complied with the common accounting standards for the biennium 1996–1997. However, further work needs to be done to bring the financial statements fully in line with those standards. The main issues for attention are the need to disclose the full valuation of property and of contributions in kind, exchange losses netted off against income, non-provision for uncollectible pledges, non-disclosure of reserve fund balances and non-disclosure of liability for end-of-service benefits.

3. Accounts and financial reporting

Treatment of programme expenditure

6. In the United Nations Children's Fund (UNICEF), the Board's previous recommendation concerning cash assistance to Governments as programme expenditure at the time funds are advanced was not implemented in the preparation of the 1996–1997 financial statements. The administration intends to revise the Financial Regulations

and Rules of the United Nations to support the treatment of cash assistance to Governments as expenditure at the time the funds are advanced, after due consultation with the Advisory Committee on Administrative and Budgetary Questions and with the approval of the UNICEF Executive Board. The Board noted that programme expenditure of $1,356.4 million in the financial statements for the 1996–1997 biennium included cash assistance of some $100.6 million that had not been liquidated by Governments as at 31 December 1997 (A/53/5/Add.2, chap. II, para. 15).

7. Similarly, in the Office of the United Nations High Commissioner for Refugees (UNHCR), the financial statements did not truly reflect the expenditure during the year; an amount of $193.5 million was not supported by accounts from implementing partners and remained unadjusted in the memorandum suspense account at the end of the year (A/53/5/Add.5, chap. II, para. 26).

4. Results of operations

8. In a number of organizations, there were shortfalls of income over expenditure. In UNICEF, there was a shortfall of income over expenditure of $14.6 million compared with a shortfall of $5.4 million declared in the previous biennium. In UNDCP, there was a shortfall of income over expenditure of $1.1 million. In the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the total combined income for all funds of $633.8 million fell short of the actual combined expenditure of $651.5 million, resulting in a deficit of $17.7 million, which was funded from the General Fund. The special purpose grant fund of the United Nations Institute for Training and Research had a shortfall of $414,923 compared to a surplus of $853,311 in 1996 (A/53/5/Add.2, chap. II, para. 19; A/53/5/Add.9, para. 16; A/53/5/Add.4, chap. II, para. 17; A/53/5/Add.3, chap. II, paras. 9, 12 and 14).

9. The Board was pleased to note that in the United Nations, the net income from revenue-producing activities increased significantly, from $0.5 million in 1994–1995 to $4.3 million in 1996–1997. However, gross receipts from the United Nations Gift Centre declined from $5.8 million in the biennium 1994–1995 to $2.6 million in the biennium 1996–1997 on account of the administration's decision to out-source the Gift Centre operations and consequently to curtail the purchase of new items for sale. The Board noted a reduction in the Gift Centre's net profit from $1.2 million in 1994–1995 to $0.38 million in 1996–1997 (A/53/5 (vol. I), sect. II, paras. 66–69).

5. Liquidity position

10. The liquidity ratios in UNICEF, UNRWA and the United Nations Habitat and Human Settlements Foundation (UNHHSF) were below the accepted standard, which requires that the ratio of current assets to current liabilities be 2 to 1. In UNICEF, current assets of $716 million exceeded current liabilities of $528 million by $188 million, disclosing a liquidity ratio of 1.36 to 1. In UNRWA, the liquidity ratio as at 31 December 1997 was 1.49 to 1. In UNHHSF, the ratio of current assets of $17.4 million to current liabilities of $12.0 million was 1.46 to 1. These liquidity ratios call for more effective working capital management in the various organizations (A/53/5/Add.2, chap. II, para. 20; A/53/5/Add.3, chap. II, para. 15; A/53/5/Add.8, chap. II, paras. 29 and 30).

6. Reconciliation of accounts

11. For the United Nations General Fund, the trial balance figures for both accounts receivable and accounts payable were substantially higher ($127.4 million) than the respective figures appearing in the financial statements. In certain cases, when the Organization received a sum in full or partial settlement of an item of accounts receivable, the Integrated Management Information System (IMIS) was not able to match or correlate this sum with the corresponding item of accounts receivable. Instead, IMIS recorded the sum in accounts payable by the United Nations. The Board, therefore, questioned the ability of the administration to follow up and collect overdue accounts receivable and to maintain proper control over accounts payable. The Board recommended that the administration modify Release 3 of IMIS: (a) to avoid the necessity of introducing substantial adjustments to accounts receivable and accounts payable outside IMIS; (b) to provide detailed information about debtor/creditor identity in respect of each item of accounts receivable and accounts payable; and (c) to enable the Organization to actively pursue recovery, especially in long-outstanding accounts (A/53/5 (vol. I), sect. II, paras. 33, 34, 36 and 39).

12. United Nations offices use the inter-office voucher system to charge other United Nations offices for payments made on their behalf. According to established procedures such vouchers should be reflected promptly in the accounts and accurately in the financial statements. The Board noted that there were delays in reconciling inter-office vouchers as at 31 December 1997 at United Nations Headquarters, the United Nations Office at Geneva, the Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Environment Programme (UNEP).

13. At United Nations Headquarters, inter-office vouchers that were not reconciled as at 31 December 1997 amounted to a net balance of $21.79 million; as a result, the financial statements did not disclose the full extent, in gross terms, of inter-office transactions pending processing. At the United Nations Office at Geneva, transactions representing a gross amount of $5.4 million (net $2.8 million) contained insufficient information to readily identify the transactions. At ESCAP, 225 inter-office vouchers amounting to $1.67 million had not been processed as at 31 December 1997. The Board was informed that the backlog had been reduced to 35 inter-office vouchers, amounting to $0.05 million, as at 30 June 1998. In UNEP, arrears of inter-office voucher reconciliation had increased up to 24 months as at 31 December 1997, as compared to arrears of 15 months for the previous biennium. The Board recommended that reconciliation of all outstanding inter-office vouchers be completed as early as possible and that the administration adhere to the system of monthly reconciliation. The Board further recommended that United Nations Headquarters review the level of supporting information provided with inter-office vouchers to ensure that sufficient details are included to enable the transactions to be verified and properly recorded (A/53/5 (vol. I), chap. II, paras. 40–45, 47 and 48; A/53/5/Add.6, chap. II, paras. 28, 29 and 31).

C. Management issues

1. Procurement

14. The Board's review of major contracts entered into by the United Nations during the biennium revealed deficiencies in planning specific needs, inviting bids and awarding contracts, and lack of verification of contract completion before disbursing funds. The Board reviewed the lump-sum contract for cleaning and maintenance services ($38.30 million) and the contract for electrical equipment, operations and maintenance services ($14.46 million) for the period from 1 July 1996 to 30 June 2001, including the interim contracts that were finalized during the biennium.

15. Noting deficiencies in contract management at United Nations Headquarters on major maintenance contracts, the Board recommended that all major maintenance works be planned sufficiently in advance in order to avoid exigency contracts and to allow adequate time for the approval process and to obtain competitive bids. The Board also noted that there was insufficient long-term planning of maintenance and alteration work in UNDP. The Board recommended that UNDP prepare a plan for its maintenance and operation work (A/53/5, (vol. I), chap. II, paras. 79 and 81; A/53/5/Add.1, chap. II, para. 84).

16. A contract signed by the United Nations to establish the Integrated Library Management System (ILMS) for the Dag Hammarskjöld Library was to be operational by July 1995, but the project remained incomplete some three years later. Contrary to the contract terms, which required payment in instalments, the entire value of the contract of $238,856 was paid in advance in one instalment in December 1994, including the charge of $68,776 for maintenance, which was to begin one year after the module was tested. The release of the entire payment in advance rather than in instalments created a significant risk that value for money paid would not be achieved and also removed the incentive for the contractor to complete the work on time. The Board recommended that since the ILMS project had been considerably delayed from the time the General Assembly authorized it during the 1992-1993 biennium, the administration should ensure that its full implementation is achieved without further delay (A/53/5 (vol. I), chap. II, paras. 83, 84, 86 and 87).

17. Following its review of three contracts awarded by UNRWA, the Board recommended that UNRWA refine the selection and award of contract procedures and update the vendor register in a timely manner to ensure that only competent contractors are considered. UNRWA should also closely supervise its contracts to ensure that contractors' work meets the required standards in order to avoid cost and time overruns and should strictly enforce the clause on liquidated damages (A/53/5/Add.3, chap. II, para. 57).

18. At United Nations Headquarters, the Board's review of 126 purchase orders valued at $56.25 million confirmed that bids were invited from the registered vendors in the vendor/supplier roster of the Procurement Division. However, the response times were not fixed with reference to the value and complexity of the contracts. In 17 cases, although the value of the contracts exceeded $200,000, the time allowed for bidding was less than four weeks. The Board considered that this adversely affected the response rate from vendors.

19. In this regard, the Board noted that the revised Procurement Manual issued in April 1998 gave discretion to the procurement officer to decide on the time to be given to bidders in each case depending on the circumstances, and suggested that for average requirements a period of four to five weeks should be allowed (A/53/5 (vol. I), chap. II, paras. 90-92).

20. In ESCAP, there were deficiencies in the procurement process, including inadequate planning, failure to obtain

approval of the Local or Headquarters Committee on Contracts and delays in delivery. In the Economic Commission for Latin America and the Caribbean (ECLAC), there were delays in delivery of up to four months; trade names and brands were specified on requisitions contrary to the provisions of the Procurement Manual; and freight charges, which represented a significant element of the order value, were omitted at the evaluation stage. At the United Nations Office at Nairobi and the United Nations Office for Project Services, no annual procurement plan was made for equipment and supplies, and at the United Nations Office at Nairobi, no systems contract was entered into for such items as stationery: a number of orders were placed for the same items. The Board recommended that the administration ensure that the instructions and provisions of the Manual are adhered to and that the benefits of economies of scale are obtained wherever possible (A/53/5 (vol. I), chap. II, para. 96; A/53/5/Add.10, chap. II, para. 29).

21. In the United Nations Joint Staff Pension Fund, no procedures were established to ensure that procurement activities handled by the Fund were carried out with due regard for economy and efficiency. As a result, all direct purchases by the Fund for the biennium ended 31 December 1997 were made through the miscellaneous obligating document procedure, which, unlike purchase orders, does not require a competitive bidding process. The Board recommended that the administration establish procedures to guide and monitor the procurement activities and to enhance efficiency in the procurement system (A/53/9, chap. II, para. 33).

22. At the United Nations Office for Project Services, procurement of goods and equipment is a core activity. The Board noted the progress made in training specialist staff and in introducing a handbook to provide guidelines for officers and recommended that the United Nations Office for Project Services finalize the handbook as a matter of priority. In a sample of procurement actions examined by the Board, there were no receipt and inspection reports, and as a result, the Office was unable to verify that supplies and equipment received complied with the contracts and that their condition was satisfactory. The Board recommended that the United Nations Office for Project Services remind all field offices of the importance of completing the receipt and inspection reports (A/53/5/Add.10, chap. II, paras. 23–25, 32 and 33).

23. The Board considered that, although the new Procurement Manual updated the procurement guidelines in the United Nations, it required improvement in the areas of open tendering and the supplier roster. For example, the Manual did not specify the frequency at which the Supplier Roster Committee should review the evaluation of the supplier applications and review recommendations for the removal of suppliers from the roster. The Board recommended that guidelines for open tendering be included in the Procurement Manual, which should also specify the frequency at which the Supplier Review Committee should review the evaluation of potential suppliers (A/53/5, chap. II, paras. 99–104).

2. Programme management

Programme delivery

24. In ITC, the Board considered that project documents and proposals could be improved by including a clearly defined monitoring and evaluation framework incorporating performance measures, baselines and targets and an explanation of how, where and when relevant quantitative and qualitative performance data would be collected during the projects' lives. The Board was also concerned that the lack of quantification in the project proposals precluded ITC from demonstrating that the expected benefits justified the proposed costs. The Board recommended that ITC ensure that project documents are of a consistent standard, supported by assessments of need and incorporating frameworks to facilitate effective monitoring and evaluation (A/53/5 (vol. III), chap. II, paras. 37 and 38).

25. In UNRWA, programme delivery, expressed in terms of expenditure as a percentage of budget, ranged from 43 to 64 per cent in the Peace Implementation Programme, capital and special projects and Extraordinary Measures in Lebanon and the Occupied Territory. This was due mainly to low donor support, closure of borders, late award of contracts and inadequate monitoring of projects.

26. In addition, the 230-bed European Gaza Hospital was completed at a cost of some $48 million, which exceeded donor contributions of $36.8 million by $11.2 million; the excess was funded from the General Fund. Although 60 per cent of the equipment had been installed by March 1997, the hospital was not functional as at December 1997, mainly because of delays in the appointment of a management team. Further, UNRWA had incurred a cost of $5.5 million for maintaining the hospital in 1997. The Board recommended that UNRWA take steps to recover the amounts outstanding from donors and reimburse the General Fund $11.2 million spent on the European Gaza Hospital project (A/53/5/Add.3, chap. II, paras. 33, 42-44, 46 and 49).

27. In UNEP, project objectives and outputs were not specified in clearly measurable terms and milestones for different stages were not set. Projects were started before they were formally accepted or approved, and quarterly expenditure statements, half-yearly project reports and

terminal reports were delayed or not received. The Board recommended that the administration improve its management and control over projects by ensuring that objectives and outputs are clearly specified and that quarterly expenditure and half-yearly progress reports are received promptly (A/53/5/Add.6, chap. II, paras. 45–47, 50 and 55).

28. In ITC, there was significant scope for improving proposals for publications, including a justification of why the publication was needed, the level of resources needed and the expected impact. The Board recommended that ITC ensure that its publication proposals include justification of need and resource implications (A/53/5 (vol. III), chap. II, paras. 54 and 55).

29. In UNHCR, policy concerns regarding refugee women were not fully integrated into the project formulation process and implemented accordingly. Lack of adequate sex- and age-disaggregated statistics was a constraint in making proper needs assessments on which plans for implementation could be based. The Board recommended that the administration take prompt and effective steps to ensure that adequate sex- and age-disaggregated statistics were collected and used in the formulation of programmes for women (A/53/5/Add.5, chap. II, paras. 61, 62 and 64).

30. In UNICEF, global implementation of general resources programmes and supplementary funded programmes combined increased from 72 per cent in 1996 to 78 per cent in 1997. For the general resources programmes, the level of implementation declined from 91 per cent in 1996 to 86 per cent in 1997; those rates are below the assumed implementation benchmark of 93 per cent used for 1995. The level of implementation of supplementary funded programmes of 72 per cent in 1997 (70 per cent for 1996) lagged behind the general resources programme level of 86 per cent (A/53/5/Add.2, chap. II, para. 34).

31. In UNHHSF, the Board was also concerned about substantial time overruns in projects. Of 422 projects that were ongoing or closed as at April 1998, there were time overruns in 241. Of those, 196 had time overruns of more than one year, with 15 projects showing time overruns of over five years. The duration in respect of 130 individual projects ranged from two to four times the originally planned duration. The administration agreed to include justification for extending the dates of completion at the time of project revision (A/53/5/Add.8, chap. II, paras. 35 and 36).

32. In UNDCP, the Board noted from its examination of a sample of five projects that, while all were within or very close to budget, all had had a delayed start, and four were extended, including one that took almost twice as long as originally planned.

33. The Board considers that such delays in the execution of projects defeat the objectives of the projects. The Board recommended that administrations analyse the reasons for substantial time overruns in projects and take corrective measures (A/53/5/Add.9, chap. II, paras. 47 and 48).

34. There were substantial time lags between the operational closure of projects and their financial closure. Such time lags could create a risk that expenditures may be improperly charged to operationally closed projects. In UNDP, some 230 projects had been inactive throughout the biennium 1996–1997. In a sample of 75 such inactive projects, the Board found that 35 had been reported as financially complete; 18 had been operationally complete for more than a year; and 22 were officially still active but had not reported expenditures for over six years (A/53/5/Add.1, chap. II, para. 21).

35. In UNFPA, the Board found that in 220 government-executed projects started in 1993 or earlier, there were outstanding balances but there had been no expenditure reported in 1997. The outstanding advances on those projects totalled $2.8 million, which, after being offset by $0.6 million owed by UNFPA to Governments for those projects, represented a net balance of $2.2 million due to UNFPA. Similarly, for projects managed by non-governmental organizations, 60, accounting for $0.7 million, were started in 1993 or earlier, but no expenditure was reported in 1997 (A/53/5/Add.7, chap. II, paras. 39 and 40).

36. In UNEP, of 177 trust fund projects with cumulative total commitments of $175.2 million and on which $128 million had been spent as at 31 December 1997, 101 projects had reached their respective end dates on or before 31 December 1997, but were still treated as ongoing. These included four projects that had been scheduled for completion in 1989. The closing procedures in 13 trust fund projects that were closed during the biennium 1996-1997 took between 11 and 70 months (A/53/5/Add.6, chap. II, para. 46).

37. In the United Nations Centre for Human Settlements (Habitat), of 154 projects that were operationally closed during the biennium, there was a time lag in financial closure of over one year in 137 cases, of which the lag was three years or more in 61 cases. The Board recommended that the administration set a time-frame for closing the projects financially soon after their operational closure (A/53/5/Add.8, chap. II, paras. 37 and 38).

3. Human resources management

38. At United Nations Headquarters, a fully integrated career development system had not been developed as at June 1998. The Board had previously commented on this issue in its report for the biennium 1992–1993. The General Assembly had expressed concern in April 1997 about the non-establishment of a career development policy in the Secretariat. The administration stated that progress was being made in the context of the Secretary-General's Human Resources Task Force. The Board recommended that the administration formulate and implement a strategy for career development without further delay (A/53/5 (vol. I), chap. II, paras. 111-113).

39. In the Economic Commission for Africa, only 27 per cent of the regular budget posts for both Professional and General Service staff were engaged in programme activities, while 73 per cent were working in areas related to general administration and management and support services. The Board, therefore, recommended that, as part of the ongoing reforms, the administration determine and implement the optimum ratio of personnel engaged in programme activities to those engaged in administration and management (ibid., paras. 117-119).

40. In UNFPA, while the total number of field office staff had increased substantially, the total number of headquarters staff remained relatively static. Accordingly, the ratio of headquarters to field staff had changed from 1 to 2.3 in 1992–1993 to 1 to 3 in 1998–1999. The Board recommended that UNFPA undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices to ensure that there is an appropriate balance between decentralization and control, and that sufficient support is available to field offices (A/53/5/Add.7, chap. II, paras. 83 and 84).

Consultants

41. The Board's review of the hiring of consultants revealed that a number of inadequacies persisted during 1996–1997. In the Department of Humanitarian Affairs and the Office of Legal Affairs consultants were appointed to handle work of a regular nature that should be assigned to regular staff. In ESCAP and ECLAC the basis for selecting consultants and calculating remuneration was not on record. In the Office of Legal Affairs and ESCAP agreements were signed with the consultants after the work had commenced; in ESCAP, the agreements also did not contain detailed terms of reference or outputs. In ECLAC, consultancy contracts were continued from one and a half to 10 years, combining different types of contracts and appointments; and in the Office of Legal Affairs, consultants were appointed without the prior approval of the Office of Human Resources Management. The Board recommended that the administration ensure full compliance with the established instructions on the engagement of consultants (A/53/5 (vol. I), chap. II, paras. 122 and 123).

42. In the United Nations University (UNU), the percentage of consultants from developing countries appointed under institutional consultancy agreements improved somewhat, increasing from 31 per cent in 1994–1995 to 54 per cent in 1996–1997. The representation of consultants from developing countries under special service agreements and personnel service agreements remained low, however, at 27 per cent and 29 per cent respectively. The Board also noted that the majority of the consultants under special service agreements were nationals of only a few countries; 3 developed countries accounted for 46 per cent of the total of 97 special service agreements from 33 countries (A/53/5 (vol. IV), paras. 22 and 23).

43. In UNICEF, the Board examined 57 special service agreements and found that payments in 23 cases (40 per cent) were made without the required evaluation reports. For those payments with evaluation reports, the evaluation officers failed to specify whether the consultants' work had conformed to the terms of reference of their contracts. The Board recommended that the administration ensure that established procedures relating to the evaluation of the performance of consultants are fully complied with (A/53/5/Add.2, paras. 77-80).

4. Capital assets fund and management of premises

44. In UNICEF, funds earmarked for capital assets were reprogrammed to include four other projects without prior approval of the Executive Board. The Board considered that since the UNICEF Executive Board had specified the projects to be undertaken in its approval of the establishment of the capital assets fund, any relocation and reprogramming of funds should receive the Executive Board's prior authorization. The Board, therefore, recommended that UNICEF seek retrospective approval for the four projects added without the Executive Board's authorization (A/53/5/Add.2, chap. II, paras. 55 and 56).

45. In addition, based on invoices for six of the projects submitted by UNDP, the lead United Nations agency for the construction of common premises on the projects, there were substantial cost overruns, ranging from 29 to 287 per cent over the contract price. As at June 1998, UNDP had yet to determine the amounts due from participating agencies.

46. The Advisory Committee on Administrative and Budgetary Questions had urged the UNU administration in November 1995 that the income from the building at its headquarters should match the expenditure on its maintenance and operation. During 1996–1997, UNU was not able to generate sufficient income through utilization of the available accommodation in the University's building at the headquarters to achieve this. In 1996–1997, income from the building decreased to $2.31 million from $2.8 million during 1994–1995; expenditure on its maintenance during 1996–1997 was $4.13 million. The Board recommended that UNU continue to explore ways to increase income through utilization of the headquarters building and examine ways of reducing the expenditure on the operation and maintenance of the building (A/53/5 (vol. IV), chap. II, paras. 34 and 36).

5. Year 2000 issue

47. The Board undertook a study to assess the preparedness of the various organizations to manage the year 2000 issue, which threatens all information systems. The Board found that the organizations were at varying stages of preparedness.

48. In the United Nations most of the critical information technology systems are proposed for transfer to IMIS. This makes it imperative that IMIS is implemented in all the offices away from Headquarters with sufficient lead time to address any deficiencies. All data interfaces with other systems that are not year 2000 compliant also need to be addressed (A/53/5 (vol. I), chap. II, paras. 215-218).

6. Other issues

49. The Board reviewed common services at the United Nations offices at Geneva and Vienna and found that for some United Nations organizations, services were provided free of charge by those offices and that there was no incentive for them to moderate their demands on the services. The Board recommended that consideration be given to establishing a system whereby users of common services provided by the Geneva and Vienna offices would be required to pay for such services according to a system of cost apportionment. Conference services at Geneva and Vienna failed to meet their four-week target for transmitting and distributing documents to delegations in 42 per cent of cases examined by the Board. The Board was concerned that as a result of such delays, including those caused by submitting departments, 31 per cent of documents at Geneva were distributed after the end of the relevant conference (A/53/5 (vol. I), chap. II, paras. 130, 131 and 147).

50. In UNJSPF there was a lack of adequate internal checking of the duties performed by the cashier function in 1997, where the same person requisitioned and kept chequebooks, wrote and signed cheques and had custody of the cheque-signing machine. Similarly, in the UNJSPF Geneva office, the functions of certification and approval of benefit entitlement payments were not adequately segregated. The Board recommended that the UNJSPF administration always arrange the cashier's functions to facilitate a sound internal checking process. Also, with the increasing volume of work at the Geneva office, duties should be segregated for more effective control over payments (A/53/9, chap. II, paras. 27-31).

51. In UNJSPF, the Board considered that the insurance coverage of the Fund, with assets totalling $13.5 billion under the custody or control of various custodians, was inadequate given that percentage of insurance to total assets ranged from 0.2 to 8.2 per cent. The Board recommended that the contracts with the Fund's custodians be reviewed with a view to providing adequate insurance coverage for the Fund's assets held or controlled by the custodians (A/53/9, chap. II, paras. 23-26).

52. In UNEP, an agreement was signed with the European Space Agency on behalf of the United Nations in November 1994 without establishing how the Mercure satellite communications project would relate to the United Nations global network and without the formal authorization to sign agreements on behalf of the United Nations. UNEP has not benefited from the project, despite an investment of more than $6 million. The Board recommended that, as a matter of urgency, the administration review the cost-effectiveness and viability of the Mercure project, including its compatibility with the United Nations communications system (A/53/5/Add.6, chap. II, paras. 37-40 and 42).

7. Cases of fraud and presumptive fraud

53. The Board was provided with information on some 111 cases of fraud or presumptive fraud involving a total of $2,765,756 that became known to eight organizations during the biennium 1996-1997. Of that amount, approximately $549,098 has been recovered; those cases involved both staff members and non-staff members. Disciplinary action in the form of summary dismissal was taken against some of the staff members, and other cases are still under investigation.

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor General
of India

(*Signed*) Osei Tutu **Prempeh**
Auditor-General of Ghana

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

15 July 1998

Annex

List of organizations reported on for the financial period ended 31 December 1997

United Nations[a]
International Trade Centre (ITC)[b]
United Nations University (UNU)[c]
United Nations Development Programme (UNDP)[d]
United Nations Children's Fund (UNICEF)[e]
United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)[f]
United Nations Institute for Training and Research (UNITAR)[g]
Voluntary Funds Administered by the United Nations High Commissioner for Refugees (UNHCR)[h]
United Nations Environment Programme (UNEP)[i]
United Nations Population Fund (UNFPA)[j]
United Nations Habitat and Human Settlements Foundation (UNHHSF) including the United Nations Conference on Human Settlements (Habitat II)[k]
United Nations International Drug Control Programme (UNDCP)[l]
United Nations Office of Project Services (UNOPS)[m]

The Board also examined the accounts of the United Nations Joint Staff Pension Fund, and the audit report thereon will be included in the report of the United Nations Staff Pension Board (A/53/9).

Notes

[a] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I.

[b] Ibid., vol. III.

[c] Ibid., vol. IV.

[d] Ibid., *Supplement No. 5A* (A/53/5/Add.1).

[e] Ibid., *Supplement No. 5B* (A/53/5/Add.2).

[f] Ibid., *Supplement No. 5C* (A/53/5/Add.3).

[g] Ibid., *Supplement No. 5D* (A/53/5/Add.4).

[h] Ibid., *Supplement No. 5E* (A/53/5/Add.5).

[i] Ibid., *Supplement No. 5F* (A/53/5/Add.6).

[j] Ibid., *Supplement No. 5G* (A/53/5/Add.7).

[k] Ibid., *Supplement No. 5H* (A/53/5/Add.8).

[l] Ibid., *Supplement No. 5I* (A/53/5/Add.9).

[m] Ibid., *Supplement No. 5J* (A/53/5/Add.10).